



DATE: July 18, 2017

TO: Mayor and City Council

FROM: Director of Library and Community Services

SUBJECT Biennial Review of the Community Development Block Grant Program and Authorization of Reallocations of One-Time Available Fund Balance in FY 2018 and FY 2019

RECOMMENDATION

That Council approves the resolution shown in Attachment II authorizing the reallocation of \$1,289,000 of one-time available Community Development Block Grant program funds to eligible projects in FY 2018 and FY 2019 as shown in Attachment III.

SUMMARY

This report summarizes options that Council reviewed at the July 11, 2017 work session and requests Council authorization to reallocate \$1,289,000 of one-time available CDBG funds to eligible projects in FY 2018 and FY 2019. The recommended projects in this report have been reviewed by Council, the Community Services Commission, and staff, and have been pre-screened for eligibility and approved for implementation by the U.S. Department of Housing and Urban Development (HUD). If the resolution in Attachment II is approved by Council, available one-time CDBG funds would be applied to eligible projects to be completed in FY 2018 and FY 2019 as shown in Attachment III.

BACKGROUND

[On July 11, 2017, Council convened a public work session](#) to review the results of the 2017 Biennial Review of the CDBG program and consider options for reallocating one-time available CDBG fund balance to eligible projects in FY 2018 and FY 2019.

As was discussed during the July 11 work session, HUD requires that the City utilize the one-time CDBG fund balance toward community infrastructure and economic development projects that can be initiated and completed within twenty-four months.

In preparing project options for Council consideration, staff coordinated with the Region IX HUD office to identify potential projects that align with Council's priorities and meet HUD's eligibility criteria. The recommended options address the Hayward housing crisis, contribute

to job creation and retention, implement improvements to community infrastructure, and increase community resiliency and disaster preparedness. The sub-recipients identified for potential implementation of the projects have proven track records of excellent performance and financial management records with the administration of CDBG. These options were recommended and identified as “Tier 1” projects, as they had been vetted with HUD.

At the July 11, 2017 Council meeting, Council had a robust discussion about the proposed Tier 1 projects, offered helpful feedback, and sought clarifications of various details. After a full review and discussion, Council expressed general assent for the Tier 1 options, provided direction for process improvements going forward, and offered ideas for projects in future years. A summary of Council’s feedback and direction is provided in the Discussion section of this report.

A second set of additional viable and eligible options, identified as “Tier 2” projects, also were identified for Council’s consideration on July 11. After careful review, Council did not express strong interest in pursuing the Tier 2 options because these options may not meet the 2-year HUD deadline and may require additional resources.

Lastly, several other options were explored but were not recommended due to concerns regarding costs, eligibility, and duplication of resources. Council expressed some interest in the possibility of pursuing one of these options: the demolition of the old Main Library; however, Council also expressed some concern that while this is a worthy project, it might not fit as well with the intent of the CDBG program as do the projects listed in Tier 1.

DISCUSSION

“Tier 1” Program Options for Reallocations of One-Time Available CDBG Fund Balance in FY 2018 and FY 2019:

The “Tier 1” options are summarized in Attachment III, and are described in more detail in the text that follows. The “Tier 1” options were reviewed by Council on July 11, 2017 and the Community Services Commission on June 21, 2017; are recommended by staff; and have been coordinated with HUD to ensure eligibility requirements can be met and that projects can be implemented quickly, if Council approves these options.

- Downtown Streets Team – Tennyson Corridor Expansion: Expansion of the Downtown Streets Team Homeless Work Experience Program into the Tennyson Corridor. Team Members – all of whom are homeless or formerly homeless -- participate in a work experience program that provides job skills training and soft skills training. In exchange, Team Members earn food/basic needs assistance, housing search assistance, housing/shelter placement, case management, transportation assistance, Job Search Skills classes, employment placement, and more; all while rebuilding their dignity and rejoining society. Council previously allocated \$90,000 toward program activities in downtown Hayward. Should Council authorize additional one-time funds for start-up and operating costs, the program would expand into the

Tennyson Corridor. Recommended reallocations: FY 2018 - \$150,000; FY 2019 - \$50,000

- Abode Services – Permanent Supportive Housing “Tiny Homes” Development: Acquisition of the former Horizon Services site for the development of permanent supportive housing for chronically homeless individuals. The project includes the development of shared housing and “tiny homes.” Council previously allocated \$80,000 toward pre-development costs for this project. Should Council authorize additional one-time funds for property acquisition and additional pre-development costs, it would help speed the completion of this critically needed housing development. Recommended reallocations: FY 2018 - \$100,000; FY 2019 - \$100,000
- Housing Rehabilitation for Low-Income Senior Homeowners – Conversions of Existing Non-Compliant Accessory Housing Units: In accordance with new state regulations and HUD approved eligibility standards, the Housing Rehabilitation program would be expanded to include loans to eligible senior or disabled residents to convert their existing non-conforming garage conversions into code compliant accessory housing units. Should Council authorize one-time funds to expand the program to convert non-conforming conversions, it would help the City’s efforts to alleviate the shortage of affordable housing in Hayward and comply with state law. Recommended reallocations: FY 2018 - \$75,000; FY 2019 - \$75,000
- Targeted Blight Abatement / Commercial Façade Improvement in Tennyson Corridor: Establish a Façade Improvement Program targeted to commercial properties fronting Tennyson Road between Mission Blvd and Patrick Avenue. Properties will be identified and invited to participate in coordination with Economic Development and Development Services. Specific objectives are to encourage private investment in the visual improvement of storefronts, signs and awnings, enhance the streetscape and provide a catalyst for area development. FY 2018 - \$100,000; FY 2019 - \$100,000
- Small Business Incubators and Job Creators in Tennyson Corridor and Downtown: In coordination with Economic Development and the Small Business Administration, this project would facilitate the rehabilitation of commercial sites in the Downtown and the Tennyson Corridor for the development of micro-enterprise small business incubators. Should Council authorize one-time funds for start-up and operating costs of new business incubators, low-income small business entrepreneurs will receive training in starting, managing, and financing locally based businesses, and new jobs and job training opportunities will be created. Recommended reallocations: FY 2018 - \$100,000; FY 2019 - \$75,000.
- Affordable Housing Rehabilitation - Measure A1 Project Match Funding: The approval by County voters of Measure A1 creates a major opportunity to create affordable

housing in Hayward. To access Measure A1 funding for affordable housing project development, the County requires local jurisdictions to provide local match funding. CDBG is an eligible source of match funding. HUD regulations (IDIS matrix code 14H – Housing Rehabilitation Administration) allow local jurisdictions to use CDBG funds to offset certain critically important and necessary housing-related administrative costs, including affordable housing development, fair housing monitoring, housing rehabilitation, inclusionary housing administration and housing financing source management. These essential administrative activities will be performed by the existing Housing Manager position. Should Council authorize to offset a portion of this position's cost in FY 2018 and FY 2019 using one-time available CDBG fund balance, it would reduce the cost to other housing-related special revenue funds, and provide the City with a source of local match funds. Recommended reallocations: FY 2018 - \$100,000; FY 2019 - \$100,000.

- Emergency Care and Shelter Facility Rehabilitation: In coordination with the American Red Cross, identify locations for emergency care and shelter that require rehabilitation to meet accessibility and building safety code requirements. Should Council authorize one-time funds for identifying and rehabilitating emergency care and shelter facilities, the Hayward community's resiliency and preparedness to respond to immediate health and welfare threats to the community, including disaster events, would be substantively increased. Recommended reallocations: FY 2018 - \$100,000; FY 2019 - \$89,000.

"Tier 2" Program Options for Reallocations of one-time funding:

The following "Tier 2" options also were presented to Council at the July 11 work session as additional alternatives for consideration. After careful review, Council did not express strong interest in pursuing the Tier 2 options because these options may not meet the 2-year HUD deadline and may also require additional resources:

- Partner with a qualifying Community-Based Development Organization (CBDO) to carry out special economic development /neighborhood revitalization activities in the Tennyson Corridor: Current partners Downtown Streets Team and Abode Services would receive technical assistance to receive HUD-designated CBDO status to secure housing placement for homeless individuals who secure employment through approved projects. Timeframe could be problematic, formation of a CBDO could take several months, may encounter delays. FY 2018 - \$100,000; FY 2019 - \$75,000
- Pioneers for Hope: In partnership with CSUEB, implement housing navigation services for students identified as at-risk of or currently homeless. Services would include case management and implementation of One Stop housing software to identify and monitor available housing options for at-risk students. Could

potentially qualify for CDBG under a special category for institutions of higher learning, but eligibility is uncertain, monitoring and reporting may be problematic, CSUEB has its own funding. FY 2018 - \$75,000; FY 2019 - \$75,000

- Expansion of job placement projects in Tennyson Corridor: Partner with local job placement nonprofit providers such as Soulciety, Swords to Plowshares and Rubicon to implement employment services to youth, veterans and other low-income residents in the Tennyson Corridor. Timeframe could be problematic, would need to identify Hayward locations for operations, monitoring and reporting could be problematic. FY 2018 - \$100,000; FY 2019 - \$75,000

Other Program Options:

The summary of other options below were explored but were not recommended due to concerns regarding costs, eligibility and duplication of resources:

- Demolition of old Main Library (already funded by Measure C): The demolition of the old Main Library is eligible and would meet the timeline but is already fully funded by Measure C. Council expressed some interest in the possibility of pursuing one of these options: the demolition of the old Main Library; however, Council also expressed some concern that while this is a worthy project, it might not fit as well with the intent of the CDBG program as do the projects listed in Tier 1. The total estimated cost of the library demolition is approximately \$306,000. Should Council choose to include this project as a “Tier 1” option, staff recommends allocating only a portion of the total cost, for example \$175,000, from the one-time CDBG fund balance, to maintain a local match for the project that can be demonstrated to HUD.
- Acquisition of multi-unit properties with potential for rehabilitation (timeframe, already funded by Measure A1). Identification and acquisition of property for affordable housing is a difficult and time probative process and not conducive to the parameters of these funds. Council expressed some interest in using one-time available funding for this type of acquisition at a future time when the project timeline aligns with the availability of these funds, especially to create housing and/or navigation centers for homeless persons.
- Fire station #6 upgrades (timeframe, already funded by Measure C): Upgrades to fire station #6 is potentially prohibitive given the necessity to review and apply restrictions related to existing resources.
- Homeowner down payment assistance (timeframe, already funded by Measure A1): Homeowner down payment assistance is also prohibitive because of the timeline to re-initiate the program within parameters for these funds, and there are other funds coming up through Measure A1 for this type of activity.

- South Hayward Family Center project (timeframe): The South Hayward Family Center project is still in preliminary/conceptual phase and is unlikely to reach completion within twenty-four months. Council expressed strong interest in using one-time available funding for this project at a future time when the project timeline aligns with the availability of these funds.
- ADA updates to Matt Jimenez Community Center facility (timeframe): The MJCC could potentially benefit from additional ADA updates in relation to the South Hayward Family Center project (for example, additional ADA parking in the rear of the facility), but the facility is already ADA compliant and the exact location of additional ADA parking, if any, in relation to the new SHFC center will not be known until that project's design is completed.
- ADA updates to HARD parks, community centers (already funded by Measure F1): HARD facilities and parks could potentially benefit from additional ADA updates, but those facilities are already compliant and HARD now has Measure F1 funds at its disposal for those capital projects.

Additional Council Feedback and Suggestions

At the July 11, 2017 Council meeting, Council had a full discussion about the project options and offered helpful feedback and direction to staff. Council expressed approval for the improvements made to the process compared to previous years, and suggested additional improvements to implement in future years. Some of the recommendations include: development and distribution of a project list for Council and CSC review earlier in the biennial cycle; integrating additional community input opportunities to the process; and presenting the project list to the CSC in a written staff report format prior to the CSC meeting in addition to the visual presentation provided at the meeting.

Some Councilmembers expressed interest in prioritizing the demolition of the old library and elevating it to Tier 1; however, Council also expressed some concern that this project might not fit as well with the intent of the CDBG program as do the projects listed in Tier 1.

Council suggested that the homeless employment program (Downtown Streets Team) coordinate with Police and Maintenance Services to achieve greater synergy and cooperation. Council noted that blight abatement activities should result in a high-quality aesthetic result, as opposed to the minimum standard of merely correcting the most blighted elements of a project.

Council expressed some interest in identifying vacant properties that potentially could be converted to housing for homeless persons, and suggested that project lists for future funding take this into consideration. Council noted that food access is an important issue in the Hayward community and should continue to be prioritized, including with this funding where possible. Council expressed interest in maintaining a focus on economic development activities with this funding, now and in the future.

Staff will integrate Council's direction and suggestions into the process and the projects that result from it, now and going forward.

FISCAL IMPACT

The Community Development Block Grant (CDBG) Program has a neutral impact on the City's General Fund, as a portion of CDBG funds (up to 20%) may be used to pay for eligible Planning and Administration of the program, including NEPA environmental review, contracting, Labor Standards monitoring, lead-based paint compliance, procurement of contractors, site inspections, financial management, and federal reporting. However, when the City's CDBG entitlement award size is reduced, as has occurred in recent years and has been proposed for further reduction or elimination by the current Presidential administration, the administrative cap is lowered accordingly, providing fewer staff resources to administer the CDBG program, which remains an administratively complex and process-laden program despite the grant's reduced size.

The adoption of the Recommended Reallocations of One-Time Available Fund Balance in FY 2018 and FY 2019 will have no impact to the General Fund. Should Council authorize the Recommended Reallocations, the projects and activities would draw an estimated \$1,289,000 from one-time available CDBG fund balance in the City's CDBG line of credit with HUD. The recommended reallocations will enable the City to timely meet HUD's annual requirement to limit and reduce the total amount of unexpended funds in the City's CDBG line of credit to less than 1.5 times the amount of the City's annual CDBG entitlement award.

PUBLIC CONTACT

The Community Services Commission reviewed the results of the FY 2017 Biennial Review and the "Tier 1" Recommended Reallocations of One-Time Available Fund Balance during its regular public meeting on June 21, 2017, and offered substantive feedback as well as general assent. Council reviewed the Biennial Review results and Recommended Reallocations in a public work session on July 11, 2017. Public notice of the July 18, 2017 Council public hearing about the Recommended Reallocations was published in The Daily Review newspaper on June 30, 2017.

NEXT STEPS

Staff recommends that Council:

- Approves the resolution shown in Attachment II authorizing the reallocation of \$1,289,000 in one-time available Community Development Block Grant program funds to eligible "Tier 1" projects in FY 2018 and FY 2019 as shown in Attachment III.

Should Council authorize the implementation of the "Tier 1" Recommended Reallocations of One-Time Available Fund Balance as shown in Attachment III, the following benefits and impacts will be achieved:

- a) Address homelessness in Hayward by creating new permanent supportive housing units;
- b) Create new affordable housing for low-income Hayward residents, including low-cost alternative forms of housing such as “tiny homes” and accessory dwelling units;
- c) Conduct targeted abatement of blighted buildings and support façade improvements to commercial properties in the Tennyson Corridor;
- d) Stimulate small business development and create new jobs;
- e) Improve community resiliency and accessibility in to respond to immediate health and welfare threats to the community, including disaster events

Prepared by: Dana Bailey, Community Services Manager
Rachael McNamara, Management Analyst I/II

Recommended by: Sean Reinhart, Director of Library and Community Services

Approved by:



Kelly McAdoo, City Manager